Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-1 How much was Berkshire paid by third party asset manger(s) for the use of the Company's gas portfolio for the years 1999 and 2000.

Response: [INTENTIONALLY OMITTED]

CONFIDENTIAL AND PROPRIETARY
PROTECTIVE TREATMENT

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-2 How much was Berkshire paid under the Gas Portfolio Optimization Agreement approved in DTE 01-41 for 2001? How much would Berkshire have been paid under the Gas Portfolio Optimization Agreement 2002 had Berkshire renewed the agreement?

Response: [INTENTIONALLY OMITTED]

CONFIDENTIAL AND PROPRIETARY
PROTECTIVE TREATMENT

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-3 Please quantify on a monthly basis and describe how the costs and benefits were distributed under the Gas Portfolio Optimization Agreement approved in DTE 01-41 among the Energy East Affiliates, including Berkshire. With this response include all assumptions, worksheets, transaction journal entries and copies of all related written and electronic correspondence.

Response: [INTENTIONALLY OMITTED]

CONFIDENTIAL AND PROPRIETARY
PROTECTIVE TREATMENT

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-4 Please quantify on a monthly basis and describe how the allocation of the costs and benefits listed in response to AG-1-3 were affected by any affiliate agreements or transactions among the Energy East Affiliates. With this response include all assumptions, worksheets, invoices and related affiliate contracts, including but not limited to affiliate services agreements.

Response: The allocations and process described in the response to AG 1-3 were not affected by any affiliate agreements or transactions among the Energy East Affiliates, other than the allocation agreement that was filed in DTE 01-41.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:

AG-1-5 Please explain in complete detail how the use of mark-to-market accounting influenced the calculation of costs and benefits for Berkshire under the Gas Portfolio Optimization Agreement approved in DTE 01-41.

Response: Berkshire did not employ any mark-to-market accounting. Rather, the savings reflected on the Company's books reflect the actual cash transactions that occurred on a monthly basis pursuant to the Gas Portfolio Optimization Agreement.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-6 Does the proposed alliance arrangement described in the April 5, 2002, filing by the Company contain a guaranteed minimum payment to Berkshire for the use of the Company's gas portfolio? If yes, please state the annual minimum payment amount for 2002, and explain with specific reference to clauses in the Gas Portfolio Optimization Agreement and any other affiliate contracts or agreements, how this figure will be calculated. For purposes of the response to this information request, exclude any amounts from the guaranteed minimum payment that may become due to the Company as result of "savings," as that term is defined by § 1.51 of the Gas Portfolio Optimization Agreement.

Response: The guaranteed minimum payment is aggregated for all of the Energy East companies. If BP Energy is required to pay all or any portion of the minimum, Berkshire Gas will receive its allocated share of that payment equal to the minimum payment multiplied by Berkshire's participating share as defined in §1.42 of the Gas Portfolio Optimization Agreement. This guaranteed minimum payment does not include any savings, as that term is defined by §1.51 of the Gas Portfolio Optimization Agreement. Importantly, BP does not receive any compensation until "savings" in excess of the Aggregate Minimum Savings, as defined in §1.3 of the Gas Portfolio Optimization Agreement, are attained.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:

AG-1-7 Can the annual minimum payment amount, if any, described in the response to AG-1-6 ever be reduced for any reason, including, for purposes of illustration rather than limitation, losses due to management of Berkshire's gas portfolio?

Response: There are a few instances where the annual minimum payment could be reduced. First, § 2.9 discusses early termination for Good Utility Practice. This could have an impact on the Aggregate Minimum Savings if the contract is terminated early. Second, § 4.2(d), discusses early termination provisions whereby the Aggregate Minimum Savings could be reduced based on a specific formula. Third, § 4.14 discusses a potential reduction in the Aggregate Minimum Savings if storage levels on April 1, 2003 exceed certain percentages. Finally, § 13.3 discusses reductions to the Aggregate Minimum Savings if regulatory approval is not received or is not acceptable to the parties and the agreement is terminated.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-8 Are there any financial or other benefits that may accrue either to Berkshire or to the other members of the alliance arrangement, or their affiliates, that are not included within the definition of "savings," as that term is defined by § 1.51 of the Gas Portfolio Optimization Agreement? If so, please list the benefits by alliance member or affiliate.

Response: The only financial benefits that may accrue either to Berkshire or to the other members of the alliance arrangement not included within the definition of savings would come from downstream assets that a member company may provide to the alliance at a later date. Any savings derived from a member company's downstream assets would be credited to that member. Also, any gas cost reductions and amounts realized by Berkshire from gas supply, transportation and/or operational efficiencies made possible as a result of certain transactions set forth in paragraph 9 of Exhibit B-2 between or among the Energy East companies are not included in the definition of savings.

The alliance also will provide Berkshire with the opportunity to take advantage of the full range of physical and financial services BP Energy can offer. Further, in addition to an extensive natural gas production base and market knowledge, BP Energy has technological systems and risk management expertise; all of which will be available to Berkshire and the other companies. Through continuous communications between and among the companies and BP Energy on market conditions, optimization strategies and financial conditions, Berkshire will be able to position itself to minimize exposure to risk and price volatility. Further, the extent and location of BP Energy supply will only serve to enhance Berkshire's excellent reliability record.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:

AG-1-9 Does the term "portfolio" as defined by § 1.47 of the Gas Portfolio Optimization Agreement constitute a complete list of agreements related to gas transportation, storage and supply that Berkshire holds, owns, controls or otherwise has a beneficial interest in? Please list any other agreements, if they exist.

Response: The "portfolio" as defined by §1.47 of the Gas Portfolio Optimization Agreement only includes the upstream assets and related gas supply contracts. The downstream contracts not listed include an agreement with Distrigas of Massachusetts Corporation (DOMAC) for LNG supply, a peaking contract with Pittsfield Generating, a local cogeneration facility, and propane supply contracts.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-10 Please explain in complete detail how the dollar amounts were determined for "participating share," "benchmark", "aggregate minimum savings" and "aggregate savings sharing level" as those terms are defined respectively in §§ 1.42, 1.6, 1.3, 1.4 of the Gas Portfolio Optimization Agreement. Include in the explanation all assumptions, calculations, studies, reports and work papers.

Response: The "benchmark" is an aggressive estimate of savings that Berkshire projected it might realize through cooperative efforts with the Energy East companies only. It is predicated on Berkshire's historical performance supplemented by the experience and assets of the other Energy East companies. Savings defined as the "aggregate minimum savings" resulted from negotiations with BP Energy, and represents the minimum savings that must be realized by all of the Energy East companies before BP Energy receives any compensation. Savings defined as the "aggregate savings sharing level" resulted from negotiations with BP Energy, and reflects the level at which the Energy East companies will incur a larger portion of the savings. The "participating share" represents Berkshire's anticipated individual contribution relative to the aggregate savings sharing level.

The Company considers the workpapers and data used in estimating its benchmark to be competitively sensitive. These materials may be reviewed in the offices of the Company's counsel by parties such as the Attorney General that have executed a confidentiality agreement or the Department Staff. Please contact the Company to arrange for such an inspection.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-11 Please list the liabilities, including those liabilities for which Berkshire must indemnify the BP Energy Company and/or others under § 15.1 (c) of the Gas Portfolio Optimization Agreement, which may result from the operation of the alliance arrangement. Include in this response potential liabilities that may result from the Berkshire Gas Company's Derivative Policy, attached as Exhibit B-3 to the Gas Portfolio Optimization Agreement.

Response: The potential liabilities of Berkshire are the same under the alliance arrangement as they were without the alliance. Berkshire's indemnification obligation arises only if it fails to do something it is already obligated to do. In the event Berkshire authorizes BP Energy to engage in a financial transaction relating to Berkshire's portfolio in accordance with the Company's Derivative Policy, and that position is open at the expiration or termination of the agreement, Berkshire may be required to close that position or take an assignment of the same.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-12 Please explain in complete detail how the Energy East Corporation may benefit from the operation of the alliance arrangement and any related services contracts with any of its affiliates. Does the Energy East Corporation maintain any control or influence over Berkshire's gas portfolio optimization transactions? Please explain the nature of this influence or control.

Response: Greater supply flexibility and the opportunity to further optimize Energy East's portfolio of assets should result in benefits to both customers and Energy East. Berkshire and the other Energy East companies will continue to own their natural gas distribution assets and will contribute off-system sales knowledge, load information, city gate management and regulatory insight to the alliance. Energy East Corporation will benefit from the alliance arrangement by bringing a sharp, comprehensive focus and additional expertise to natural gas acquisition, optimization and supply management for the Energy East companies. The Energy East Corporation will not have a direct influence over Berkshire's gas portfolio optimization transactions and Berkshire will continue to fulfill its obligation to provide reliable and economic service to customers.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-13 Will Berkshire, or some other entity on its behalf, coordinate its portfolio optimization transactions with the New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and/or the Southern Connecticut Gas Company? Please explain how the portfolio optimization transactions will be coordinated and whether these transactions will ever financially benefit the New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and/or the Southern Connecticut Gas Company at the expense of Berkshire.

Response: Portfolio optimization transactions will be coordinated with the other Energy East companies. More specifically, Berkshire will actively participate in the periodic conference calls and meetings contemplated for the implementation of the Agreement. Many transactions will be structured to secure mutual benefits given the fact that because all companies serve load in the northeast, their resource portfolios are not dissimilar. Berkshire's savings will be tracked directly. Transactions will never be structured to financially benefit one Energy East company at the expense of another Energy East company.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:

AG-1-14 Please explain in compete detail how the New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and the Southern Connecticut Gas Company may benefit from the operation of the alliance arrangement and any related services contract. Can any of these companies exercise any control or influence over Berkshire's gas portfolio optimization transactions? Please explain the nature of this influence or control.

Response: Please refer to the responses to AG 1-12 and AG 1-13. None of these companies can exercise any control or influence over Berkshire's gas portfolio optimization transactions, rather, the four companies will work as partners to maximize the value of each company's portfolio while providing least cost service to their customers.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-15 Please produce copies of all documents relating to the request for proposals ("RFP") for the "Berkshire RFP" and the "Joint RFP", as those terms are defined in the Company's April 5, 2002 filing letter. Include in this response copies of all the initial request letter(s) sent to each bidder, any updates, modification or amendments to the RFPs and any responses sent by the RFP recipients. Include in this response all evaluations, studies, reports and work papers related to the RFP responses.

Response: Attached are the request for proposals ("RFP") for the "Berkshire RFP" and the "Joint RFP", as those terms are defined in the Company's April 5, 2002 filing letter. The Company considers bids or responses to be competitively sensitive. In addition, the bids or responses also contain competitively sensitive information that was subject to confidentiality requirements of the various bidders. These materials may be reviewed in the office of the Company's counsel by parties such as the Attorney General that have executed a confidentiality agreement or the Department staff. Please contact the Company to arrange for such an inspection.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:

AG-1-16 Discuss in detail how each of the RFP respondents were evaluated by Berkshire, and the other Energy East Affiliates.

Response: Initially, each respondent's bid or proposal was evaluated on both price and non-price factors, including the following: the capability to perform the required services; the availability of reliable supplies necessary to meet the Companies' supply requirements; the organizational experience in portfolio services, achievement of savings and back office capability; the financial strength of the respondent, and the ability to provide satisfactory credit support; the ability to manage financial and physical risk; and, the level of savings to be realized by the Companies and their customers. If there were questions or clarification was needed, the bidders were contacted and asked to respond or provide additional information. Following the initial evaluation, the company selected and met with those bidders whose bids appeared to provide Berkshire and the Energy East companies with the best opportunity to maximize their portfolios. On the basis of meetings with these bidders, BP Energy was selected for negotiations.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-17 Please explain the criterion used to create the list of recipients for the Berkshire RFP and the Joint RFP, as those terms are defined in the Company's April 5, 2002 filing letter.

Response: Many of the criteria listed in response to AG-16, together with the experience of the Energy East companies in dealing with various gas suppliers, marketers and managers, were used to create the list of RFP recipients.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-18 Explain in complete detail why Berkshire and the other Energy East Affiliates terminated negotiations with BP Energy regarding renewing or modify the 2001 gas portfolio optimization agreement that was approved in DTE 01-41. Please include in this response all correspondence, e-mails and other documents related to the negotiations.

Response: There were several reasons why discussions with BP Energy commenced in November 2001. First, the Energy East companies needed enough time to issue an RFP if negotiations with BP Energy were not successful. Second, Berkshire had its own regulatory obligation to issue an RFP pursuant to the Order in Docket DTE 01-41. Finally, all analyses, negotiations and regulatory filings had to be completed prior to the expiration of the existing Gas Portfolio Optimization Agreement.

Market conditions during the term of the agreement, particularly in the winter of 2001/2002, varied significantly from the historical experiences of the Energy East companies, and BP Energy approached discussions on the basis of the changed conditions. After several discussions with BP Energy, it became apparent that the parties could not agree on the terms for an extension. Consequently, the Energy East companies decided to terminate negotiations and issue an RFP. This would enable the Companies to determine how other companies viewed the market and would structure their bids. Based on these responses, the Energy East companies could see whether such other companies or BP Energy provided them with the best opportunity to maximize optimization savings.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:

AG-1-19 Please produce copies of any agreements between Berkshire, Energy East Corporation, BP Energy Company, New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and/or the Southern Connecticut Gas Company (or any combination of these companies) regarding the management or optimization of gas portfolios. Include in this response copies of the gas portfolio optimization agreements of the named Energy East Corporation affiliates and any agreements concerning gas portfolio management that may exist among or between the affiliates themselves.

Response: There are five agreements between Berkshire, Energy East Corporation, BP Energy Company, New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and/or the Southern Connecticut Gas Company (or any combination of these companies) regarding the management or optimization of gas portfolios. Two of those Agreements, the Netting Agreement and the Allocation Agreement, were included with the Company's April 5, 2002 filing as part of the Gas Portfolio Optimization Agreement. These Agreements were attached as Exhibits B-9 and B-10, respectively. Additionally, the Company is optimizing its portfolio with BP under an Interim Agreement. Operating procedures were established whereby transactions undertaken by the Parties to the Optimization Agreement are implemented pursuant to its terms. Finally, Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company provide daily gas supply planning services to Berkshire under an affiliate services agreement. These additional Agreements are attached for your convenience.

Copies of the Gas Portfolio Optimization Agreements of New York State Electric & Gas Corporation, Connecticut Natural Gas Corporation and The Southern Connecticut Gas Company that are available to the public are enclosed with this response. These agreements are substantially the same as the Berkshire agreement, except that the anticipated savings for each of the companies may vary depending on the particular portfolio of the company.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-20 Please explain how Berkshire intends to fulfill its obligation to provide least cost and reliable service in light of § 2.7 of the Gas Portfolio Optimization Agreement and Articles IV and V of the Gas Sales and Purchase Agreement?

Response: Berkshire Gas will initially satisfy its firm supply requirements from existing approved supply contracts and any replacement contracts that may become effective no later than November 1, 2002. The Gas Portfolio Optimization Agreement expressly reserves the right of the Company to replace its existing domestic gas supplies consistent with the requirements of the Department's decision in docket D.T.E. 01-41. See Section 13.7.

During negotiations, Berkshire was concerned about the DTE's perception of BP Energy as the Company's sole supplier, and negotiated a modification of § 2.7 as it appeared in the 2001 optimization agreement. Section 2.7 now provides that BP Energy will satisfy the Company's gulf coast production requirements, unless the Company notifies BP Energy of the availability of lower cost gulf coast production area gas. If the Company notifies BP Energy of lower cost gas and BP Energy does not immediately match the price, the Company may purchase the lower cost gas from another supplier. Even if BP Energy provides the Company's gulf coast supply without having to match a lower offer, these additional supplies are priced based upon Berkshire's election with a wide range of flexibility. Further, Berkshire still retains the benefits of its existing approved resource portfolio, and any replacement contracts, while adding the substantial resources of BP Energy, assuring the Company's continuing ability to provide least cost and reliable service.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-21 Please describe in complete detail all policies, formulas or criteria related to §3 of the Allocation Agreement. Include in this response all written documentation related to the policies, formulas or criteria.

Response: See response to AG-1-3.

Attorney General's
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 02-19

Witness: **Karen L. Zink**
Date: **May 3, 2002**

Question:
AG-1-22 Please provide copies of all documents related to §2(a)-(e) of the Netting Agreement.

Response: The netting agreement was effective on or after April 1, 2002. Thus, no transactions have occurred to date that would result in a net settlement or net payment arrangement. Transactions for April 2002 will be settled in May 2002 pursuant to the terms of the Netting Agreement.